HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Trois-Rivières CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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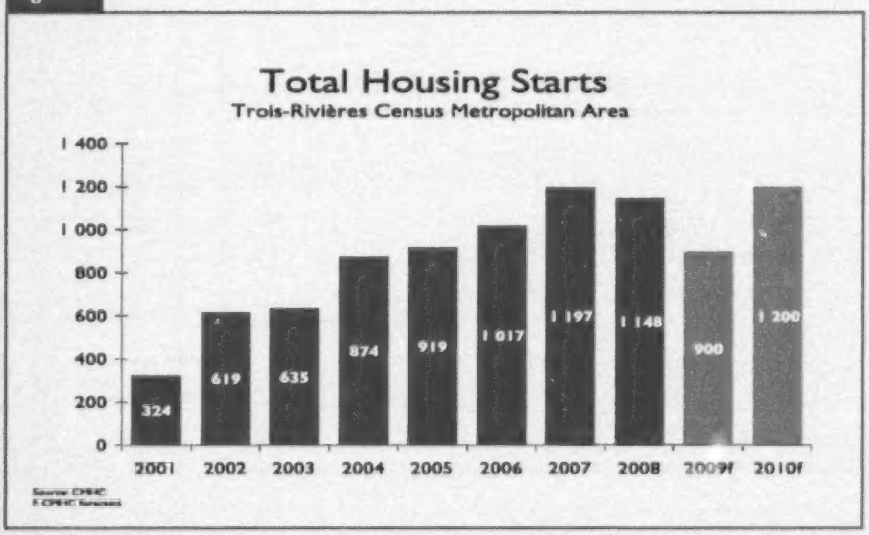
Residential real estate market to remain active in 2009 and 2010

Despite a slight slowdown, activity will remain solid on the Trois-Rivières census metropolitan area (CMA) residential real estate market in 2009 and 2010. In fact, transaction volumes will stay high on the resale market, as will housing starts, which will remain above the average levels for the last few years. The rental market, for its part, will continue to post a relatively low vacancy rate. Even though the job market will be sluggish, financing conditions, which will still be very favourable, combined with strong migration, will energize the market.

Figure 1



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[1] *The forecasts included in this document are based on information available as of October 1, 2009.*

Job market to stay sluggish

The economy in Trois-Rivières, like in several other areas around the province, was affected by the global economic crisis that has been prevailing for over a year now. Already, the regional economy had suffered from the surging loonie, which had severely tested manufacturing companies by undermining their competitiveness on the market. The ensuing decline in demand, as a direct result of the economic slowdown, only made things worse. Consequently, job losses have now been accumulating for four quarters in the Trois-Rivières CMA (with almost all the losses having been full-time positions), in pace with the announcements of layoffs and plant closings, which have increased.

On the other hand, the area will benefit from the vitality of other sectors of the regional economy, including the non-residential construction sector. The residential construction sector, for its part, despite the slight slowdown anticipated for 2009, will still be active, especially in 2010, when the starts volume is expected to surpass the 1,000-unit mark.

However, these projects will not be sufficient to offset the expected decline in the manufacturing sector in 2009, and total employment in the Trois-Rivières CMA will therefore fall by 4 per cent. In 2010, however, the anticipated global economic recovery will help stabilize the job market in the CMA. As a result, employment in the area will remain stable, in comparison with the 2009 level.

Mortage rates

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. The Bank has committed to keeping this rate at 0.25 per cent through the middle of 2010 unless inflationary pressures warrant an increase.

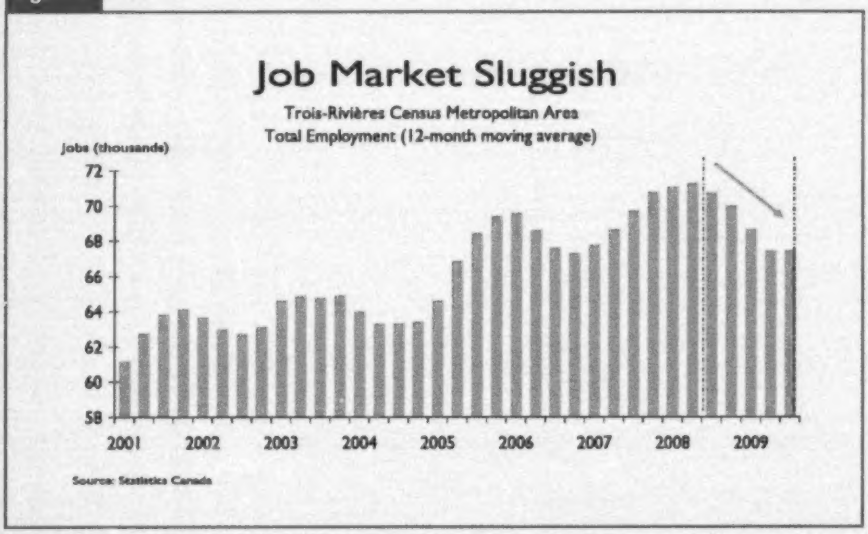
Mortgage rates have fallen over the course of 2009, but are now expected to remain relatively stable for the rest of the year. Posted mortgage rates will gradually increase through 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate will be in the 3.50-4.25 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.50-6.00 per cent range.

Demographic changes on the horizon and migration still strong

Demographic changes will shape the housing demand in the Trois-Rivières CMA over the next few years. Household formation, which has been slow for several years now, will experience a split in 2009. In fact, starting this year, the slowdown in household formation growth will intensify, particularly among young households, while the opposite will occur among older households, as the formation of households aged 65 years or older will pick up the pace over the coming years.

Migration, for its part, has been strong and steady in the Trois-Rivières CMA since 2004. Annual net migration levels have been high (above 600 people) and have largely contributed to the vigorous residential construction in the CMA in recent years. In 2009 and 2010, migration will remain stable in the Trois-Rivières area.

Figure 2

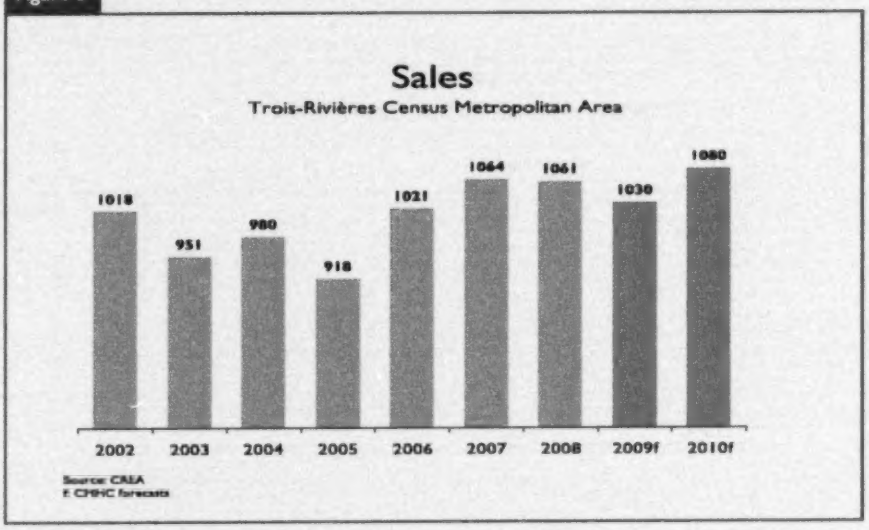


Resale market activity to slow down slightly in 2009 before picking up in 2010

In 2009, home sales will register a decrease similar to the one recorded in 2008 (-3 per cent) in the Trois-Rivières CMA. The sluggish job market, combined with the slower growth in the number of young households (aged 24 to 45 years), will slightly dampen sales this year. However, financing conditions, still very favourable, along with the growing price gap between new and existing homes, will limit the anticipated decline in sales. In 2010, the stabilization of the job market in the Trois-Rivières area will stimulate sales. In all, 1 030 properties will change hands in 2009, compared to 1 061 a year earlier (-3 per cent). And, the year 2010 should end with a total of 1 080 sales (+5 per cent).

As for home prices, the increases have been steady in recent years in the CMA, driven by a market that has been significantly favouring sellers. The seller-to-buyer ratio—an important barometer of resale market activity—was very low, which further pushed up prices. While the market has eased somewhat in recent quarters, it remains below the balanced range (seller's market), leaving the door open for more price hikes. However, it is to be expected that the increases will be much more moderate. Over the forecast horizon, the relative stability of both sales and listings will keep the market in a situation where sellers will retain the edge. Consequently, the average price of homes will reach $137,000 in 2009 (+3 per cent) and then $140,000 in 2010 (+2 per cent). The years of strong growth (more than 10 per cent) are now a thing of the past. Since the beginning of the current decade, the average price of single-family houses has jumped up by 90 per cent, rising from $69,500 in 2000 to $133,000 in 2008. But, despite this significant increase, the average price of properties in the Trois-Rivières CMA is still relatively low. In fact, Trois-Rivières has the lowest average home price among the six CMAs in the province.

Figure 3



Rental housing starts to energize the new home market

The slight downward trend in starts of freehold homes[2], which began in 2008, will continue in 2009 and 2010 in the Trois-Rivières CMA. The decline of the job market, the slower growth in young households (aged from 25 to 44 years) and the higher prices for new homes will dampen demand for new housing in the CMA. However, the anticipated decrease in activity will be small, limited mainly by the low mortgage rates. In all, 460 freehold dwellings (350 single-detached and 110 semi-detached and row homes) will be started in the Trois-Rivières area in 2009, compared to 529 in 2008 (-15 per cent). In 2010, a similar decline is expected, as foundations should be laid for 420 freehold homes (320 single-detached and 100 semi-detached and row houses).

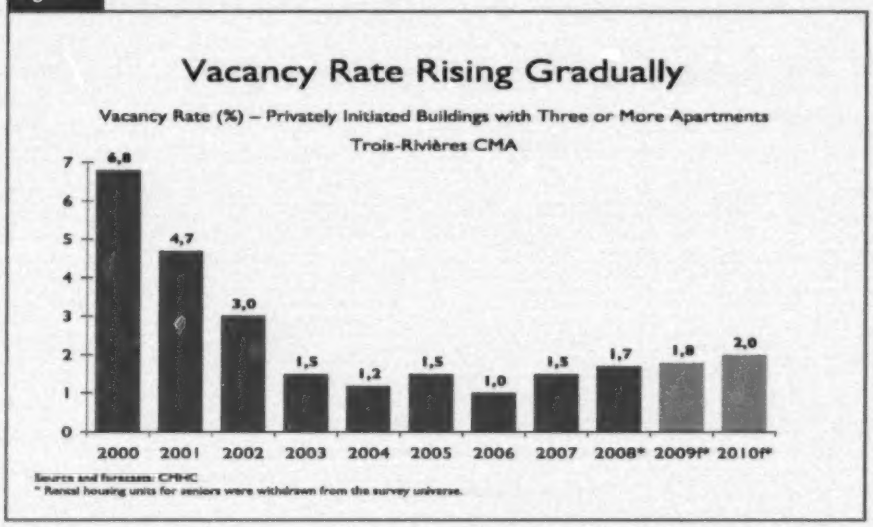
The rental segment, which has been the veritable driving force on the new home market for several years in the CMA, will remain active, especially in 2010. The continued low vacancy rate in the area (1.7 per cent), combined with the strong migration, will boost the construction of dwellings intended for the traditional rental market in

[2] *Freehold homes refer to dwellings where the owner also holds the title of ownership to the land.*

2009 and 2010. The year 2010 will also be marked by intense activity on the retirement home market. Construction will get under way on a total of 450 rental dwellings in 2009 (18 per cent) and over 750 more in 2010. Lastly, about 10 condominium starts should be recorded in 2009 and 2010.

Housing activity in the Trois-Rivières CMA will therefore decline slightly in 2009 before rebounding in 2010. In all, there should be 900 starts in the Trois-Rivières area in 2009 (-22 per cent) and close to 1,200 more in 2010 (+33 per cent).

Figure 4



Rental market to ease

The Trois-Rivières CMA traditional rental market will remain stable in 2009, before easing in 2010. In fact, even though the low vacancy rates that have been prevailing in the area for more than five years now greatly stimulated rental housing construction, this considerable increase in supply was counterbalanced by the vigorous demand. The strong migration, which put significant pressure on the housing demand in the CMA, kept the vacancy rate very low. For 2009 and 2010, it is expected that rental housing construction will be just as robust as in past years, as will migration. Consequently, the vacancy rate will remain relatively stable, reaching 1.8 per cent in 2009 and then 2.0 per cent in 2010. The average rent for two-bedroom apartments will rise to $520 in 2009 (+3 per cent) and then to $530 in 2010 (+2 per cent)

Forecast Summary
Trois-Rivières CMA
Fall 2009

	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	1,021	1,064	1,061	1,030	-2.9	1,080	4.9
MLS® Active Listings[2]	N/A	N/A	N/A	N/A	_	N/A	_
MLS® Average Price ($)	114,221	128,368	132,987	137,000	3.0	140,000	2.2
New Home Market							
Starts:							
Single-Detached	372	430	373	350	-6.2	320	-8.6
Multiples	645	767	775	550	-29.0	880	60.0
Starts - Total	1,017	1,197	1,148	900	-21.6	1,200	33.3
Average Price ($):							
Single-Detached	176,831	184,966	195,052	200,000	2.5	205,000	2.5
New Housing Price Index (% chg) (Que.)	4.4	4.2	5.0	N/A	_	N/A	_
Rental Market							
October Vacancy Rate (%)	1.0	1.5	1.7	1.8		2.0	
Two-bedroom Average Rent (October) ($)	488	487	505	520	_	530	_
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	_	3.83	_
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	_	5.75	_
Annual Employment Level	67,325	70,775	69,975	67,175	-4.0	67,200	0.0
Employment Growth (%)	-3.0	5.1	-1.1	-4.0	_	0.0	_
Unemployment rate (%)	8.1	7.8	8.0	9.0	_	8.5	_
Net Migration [1]	670	660	680	500	-26.0	500	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2008 migration data are forecasted

(2) Source: QFREB by Centris® as of January 2009

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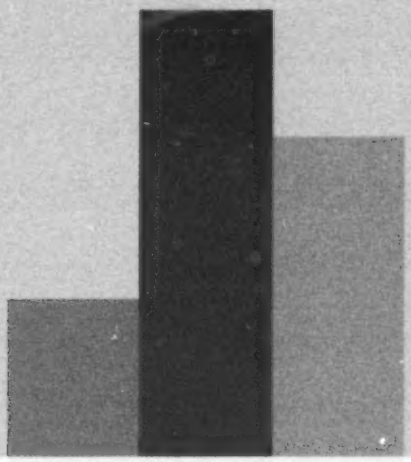

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